

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

732

INVESTIGATION OF ALLEGATIONS
OF IRREGULARITIES
DEPARTMENT OF THE YOUTH AUTHORITY

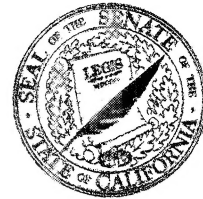
MARCH 1978



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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March 10, 1978

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report of his review of alleged irregularities at the Youth Training Schools at Paso Robles and elsewhere.

Of universal significance to all in state government is the understanding of Director Pearl S. West that, notwithstanding her exclusive appointing authority under Welfare and Institutions Code Section 1710.5, she was not to fill a specific position until Secretary of Health Mario Obledo "was satisfied that no qualified Hispanic was available for service...." Earlier all appointing authorities in the Health and Welfare Agency had been instructed that all senior appointments were subject to the specific approval of the Secretary.

However laudatory the goals of the gentle Secretary, he has nonetheless exceeded the statutory authority assigned to that office in Executive Reorganization Plan No. 1 of 1968.

It is plainly undesirable and would be imprudent management if each Secretary were permitted to select a different hiring criterion, e.g. Hispanic in one agency, Black in another, Women in another.

Should Governor Brown desire to restore line authority to the members of the Cabinet, a bill or reorganization plan should be presented to the Legislature.

By copy of this letter, the Department is requested to advise the Joint Legislative Audit Committee within sixty days of the status of implementation of the recommendations of the Auditor General that are within the statutory authority of the Department.

The auditors are Gerald A. Silva, Audit Manager; Richard C. Mahan; and Mary M. Quiett.

Respectfully submitted,

MIKE CULLEN
Chairman

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	1
INTRODUCTION	6
INVESTIGATION RESULTS	8
WRITTEN RESPONSE TO THE AUDITOR GENERAL'S REPORT	
Director, Department of Youth Authority	72
APPENDIX A	
Chronology of Events Regarding Purchase and Installation of Personal Alarm System at the Youth Training School, Ontario	A-1
APPENDIX B	
Table of Examples of Employee Classifications Currently Responsible for Ward Rights Program Duties	B-1
APPENDIX C	
Letter from Pearl West, Director, Department of the Youth Authority Summarizing Position on Improper Use of Federal Funds	C-1
APPENDIX D	
Letter from Pearl West Elaborating on Department Position Regarding Misuse of Federal Funds	D-1
APPENDIX E	
Letter from Mario Obledo, Secretary, Health and Welfare Agency Summarizing Position on Withholding Approval of CYA Reorganization and Appointments	E-1
APPENDIX F	
CYA Training Plan	F-1
APPENDIX G	
Legislative Counsel Opinion #2274	G-1

SUMMARY

In July 1977, the Joint Legislative Audit Committee was presented with a list of allegations of inappropriate management practices at the Department of the Youth Authority (CYA). In October 1977, the Office of the Auditor General began an investigation to determine if the allegations were true. This report presents the results of that investigation.

In general, the allegations concerned conflict of interest, misuse of state and federal monies, improper personnel management practices and inadequate management control. The specific questions raised and our conclusions are as follows:

- Did CYA improperly use federal grant money to create a new deputy director of parole position?

Conclusion: Between January 1, 1977 and June 1 1977, CYA improperly used about \$14,000 to temporarily fund the salary of a new deputy director of parole position created under a reorganization. (See page 8.)

- Are state cars permanently assigned to management personnel at institutions without justification?

Conclusion: Currently, 14 state cars are permanently assigned to management personnel at various institutions. Proper justification has not been prepared in most cases and need is questionable. (See page 15.)

- Have profits from the Paso Robles canteen operation not properly reverted to the Ward Benefit Fund? Have burglaries occurred which have not been reported to police?

Conclusion: Profits from the Paso Robles canteen operation have not reverted to the Ward Benefit Fund as intended. CYA officials are unaware of any burglaries which may have occurred at the institution. (See page 20.)

- Were funds budgeted for the installation of a personal alarm system at the Youth Training School, Ontario, used for other purposes? Was the installation completed a year after it was scheduled?

Conclusion: Grant and state funds budgeted for this project were spent as intended. Installation was delayed for over a year due to various management problems. (See page 27.)

- Is an aircraft which is leased to the Paso Robles Flying Service, a contractor with CYA, owned by three CYA employees?

Conclusion: Between July 1974 and October 1976, two CYA employees were the registered owners of an

aircraft which was leased to the Paso Robles Flying Service and used under conditions of a contract with CYA. According to the Legislative Counsel, no conflict of interest was present for the CYA employees during the period in question. (See page 37.)

- Does CYA employ more treatment team supervisors than are provided for in the job specification? Do treatment team supervisors maintain time cards?

Conclusion: While CYA employs only authorized treatment team supervisors, it appears that some are misclassified. (See page 42.)

- Has implementation of CYA's ward rights programs required redesignation of regular line positions, which may conflict with legislative intent?

Conclusion: CYA has redesignated some positions to perform ward rights duties. While it cannot be determined if this conflicts with legislative intent, the redesignation has caused some misclassification. (See page 48.)

- Was approximately \$200,000 of state funds improperly used during the 1974 reopening of the Paso Robles institution?

Conclusion: Los Angeles County, as part of a contract with CYA, was to repay the State for the actual cost of reopening the Paso Robles institution. While no improper

expenditures or transfers of funds were made by CYA, L.A. County was underbilled by approximately \$34,000, thus causing an expenditure of state funds. (See page 54.)

- Does the former Director of CYA own the American Arbitration Association, a private firm which contracts with CYA?

Conclusion: We could find no evidence that the former Director of CYA has ever owned, or had financial connections with, the American Arbitration Association. (See page 58.)

- Were color televisions, purchased with CYA funds for the Youth Training School (YTS), Ontario, diverted to employees' homes?

Conclusion: All color televisions at YTS for which purchase orders and property records exist were accounted for during an August 1977 physical inventory. (See page 61.)

- Were meals which only cost \$2.00 purchased for \$5.00 each for the Paso Robles institution, and was the price difference split with CYA officials?

Conclusion: During May 1974, CYA catered meals for 21 days at an average cost of \$1.91 each. It cannot be

determined whether profits were split with CYA officials. (See page 63.)

- Do CYA institutions receive only small portions of the \$1.5 million training budget? Do treatment team supervisors receive most of the training? Are training records maintained? Are Paso Robles institution training monies used to lease an aircraft?

Conclusion: About 64 percent of the Parole and Institutions Branch's training money has been allocated to the institutions. Custody staff -- not treatment team supervisors -- have received most of the training. CYA prepares detailed training records. According to the Training Officer, Paso Robles training funds have never been used to pay for transporting employees to training courses on a leased aircraft. (See page 65.)

INTRODUCTION

In response to a request from the Joint Legislative Audit Committee, we investigated alleged questionable management practices at the Department of the Youth Authority (CYA). In general, the alleged questionable management practices regarded conflict of interest, misuse of state and federal monies, improper personnel management practices and inadequate internal controls. The investigation was conducted under authority vested in the Auditor General by Section 10527 of the Government Code.

Background

The Youth Authority Board and the Department of the Youth Authority were created in 1941 to protect society by substituting training and treatment for retributive punishment of young persons found guilty of public offenses. The CYA attempts to fulfill this mandate by:

- Exercising leadership in programs designed to reduce crime and delinquency
- Providing care and custody to wards committed to its care by the courts
- Assisting local jurisdictions in improving detention and correctional facilities.

The eight member Youth Authority Board appointed by the Governor controls the status of wards. It is responsible for granting parole, setting conditions of parole, returning persons to the court of commitment and discharging wards from CYA jurisdiction. In addition, the CYA Director has delegated to the Board responsibility for recommending wards to specific institutions and parole programs.

The CYA employs approximately 4,200 persons and had a fiscal year 1976-77 budget of \$121 million in general funds and \$990,000 in federal funds. CYA has custody of about 11,800 wards at its 10 institutions, 6 conservation camps and 40 parole field offices.

Scope of Investigation

To evaluate management practices at CYA, we reviewed records and met with management staff at the Central Office and at the institutions located in Ontario and Paso Robles. Meetings were held with the Secretary of the Health and Welfare Agency and his representatives, and representatives of the State Personnel Board, the State Board of Control and the Department of General Services.

Notwithstanding the sensitive nature of the issues investigated, CYA management were open and cooperative in providing us with necessary information. Some of the issues are dated and have already been corrected by recent changes in CYA operations.

INVESTIGATION RESULTS

QUESTION: Did CYA Improperly Use Federal Grant Money to Create
a New Deputy Director of Parole Position?

The CYA improperly used federal grant money to temporarily fund the salary of a new deputy director of parole position. The federal grant money came from funds used to initiate the Tri-County Re-Entry Project. This project is designed to establish a community-based residential program providing intensive pre-release services to CYA wards in San Mateo, Santa Clara and Santa Cruz counties. Between January 1, 1977 and June 1, 1977, the CYA used approximately \$14,000 (which was repaid on June 23, 1977) of the \$490,000 Tri-County funds awarded in June 1976, to pay for an unapproved deputy director of parole position.* This expenditure was not in compliance with the terms and conditions of the Tri-County grant.**

The new deputy director of parole position, created and filled as part of a reorganization proposed in December 1976, functioned without formal approval until August 11, 1977 when the Health and Welfare Agency approved the Department's executive management appointments. During that period of time, CYA operated under the management of five deputy directors and one chief deputy director whose appointments had not been approved by the Health and Welfare Agency or the State Personnel Board.

* The CYA employee designated to fill the new position was the former administrator of the Tri-County Project.

** Grant funds may be terminated when there is substantial failure to comply with the terms and conditions of the grants.

After assuming responsibilities, the Director of CYA announced plans for a reorganization of some department functions. With the assistance of the former Director and a consultant, personnel records were reviewed, interviews held and six managers selected for appointment. On December 22, 1976, the Director, via memorandum, notified the Secretary of the Health and Welfare Agency of her intention to (1) split the existing Parole and Institutions Branch into two distinct branches, each headed by a separate deputy director, and (2) appoint new executive management personnel. According to CYA files, on December 23, 1976, the Director received verbal approval from the Secretary of the Health and Welfare Agency to announce the appointments. On December 23, 1976, all departmental staff were informed of the organizational changes. The following day, the CYA formally notified the Department of Finance and the State Personnel Board of the proposed reorganization of functions and realignment of executive staff.

Sometime between December 24, 1976 and January 1, 1977, the Health and Welfare Agency informed the Department that it was withholding approval of the proposed reorganization. According to the Secretary, the decision to withhold approval was based on the Agency's disappointment with the CYA's apparent use of a selection process that did not affirmatively exhaust all available avenues to find a qualified Hispanic to serve on the proposed executive management team. In spite of the Secretary's refusal to approve the proposed reorganization, the Director of CYA chose to continue to operate under the new organizational structure and with the newly appointed management team.

Concurrently, CYA and Health and Welfare Agency personnel attempted to negotiate a solution to the impasse. The following chronicles the communications and negotiations that took place from January 13, 1977 to August 5, 1977.

CHRONOLOGY

<u>Date</u>	<u>To</u>	<u>From</u>	<u>Subject</u>
January 13, 1977	Secretary of Health and Welfare Agency	Director of CYA	Agreement made that CYA would develop and present alternative solutions to impasse by January 27, 1977.
January 21, 1977	Director of CYA	Secretary of Health and Welfare Agency	The Secretary states that he has never mandated that a Chicano be placed on the CYA Executive Staff without regard to qualifications. However, the Secretary finds it difficult to accept the Director's contention that there are no qualified Chicanos within CYA. The Secretary expresses his commitment to the affirmative action policies of the current administration.
January 27, 1977	Secretary of Health and Welfare Agency	Director of CYA	The Director, as an alternative solution, suggests creating an additional deputy director position during the next year.
January 28, 1977	Director of CYA	Secretary of Health and Welfare Agency	Secretary states that present plan to enlarge management team is unsuitable. Approval of reorganization and appointments withheld. Action taken because "of lack of evidence that a qualified Hispanic was unavailable for appointment." Will approve reorganization within 30 days if no qualified Hispanics are available.
February 15, 1977	Director of CYA	Secretary of Health and Welfare Agency	Thirty day period extended until March 28. The Secretary refers a list of four candidates to the Director.
March 21, 1977	Director of CYA	Secretary of Health and Welfare Agency	March 28 deadline extended indefinitely.
April 8, 1977	Secretary of Health and Welfare Agency	Director of CYA	The Director requests approval of management team. Informs Secretary of one deputy director position currently funded "illegally" from federal funds.
April 20, 1977	Secretary of Health and Welfare Agency	Director of CYA	The Director discusses reassessment process in each branch toward a possible enlargement of the executive team.
April 28, 1977	Secretary of Health and Welfare Agency	Program Budget Manager, Dept. of Finance	Department of Finance expresses concern over impasse and the manner in which people are being paid.
May 26, 1977	Budget Analyst, Dept. of Finance	Deputy Director, Management Services Branch CYA	Informs Department of plans to use a Personnel Division position to repay the Deputy Director of Parole's salary through augmentation of a temporary help blanket fund.
May 26, 1977	-	-	Department of Finance approves reorganization after Secretary of Health and Welfare Agency gives approval. The Secretary, however, continues to withhold approval of appointment.
June 23, 1977	-	-	Federal grant repaid after Deputy Director is placed into vacant position.
July 15, 1977	-	-	Deputy Director of Parole reclassified into the Chief, Division of Planning and Program Development position in order to fund her salary at the CEA III level.
August 5, 1977	Secretary of Health and Welfare Agency	Director of CYA	The Director forwards for approval documentation for CEA appointments of the executive team plus one CEA III level position under development. This document is signed approved by the liaison to CYA, for the Secretary of the Health and Welfare Agency on August 11, 1977.

According to the Director (see Appendices C & D) the CYA operated under the proposed but unapproved organizational structures from January 1, 1977 to May 26, 1977 because:

- The Secretary of The Health and Welfare Agency had given verbal approval to the reorganization and the appointments
- The Health and Welfare Agency never ordered the Department to return to the old organization and place all new deputy directors back into their original positions
- It was felt the impasse was temporary and would be resolved within 60 days
- Neither the State Personnel Board nor other control agencies ever questioned CYA's activities, even though they were aware of the situation
- The Welfare and Institutions Code specifically delegates to the Director of CYA the appointing power for all positions within the Department
- The new organizational structure could more effectively accomplish CYA's mission of protecting the public
- With the announcement of management changes, staff became aware that some managers formerly in administrative positions were becoming subordinate to

those they formerly supervised. Department morale would have suffered and subordinate/superior relationships would have been disturbed if staff had returned to their previous positions.

The Director states that the Secretary of the Health and Welfare Agency would not approve the reorganization or appointments until an Hispanic person was appointed. The Director, however, felt committed to appoint her management team from within CYA since she had recently been appointed from outside the Department. After review of all eligible Hispanics in CYA, it was concluded that none were qualified or available for appointment to the executive team. On December 31, 1976, the Director briefed the Secretary on each eligible Hispanic within CYA and outlined why she found them unqualified for appointment.

According to a letter prepared for the Auditor General (see Appendix E), the Secretary of the Health and Welfare Agency has no recollection of ever giving verbal approval to the proposed reorganization or the executive appointments. Prior to January 1, 1977, the Agency informed the CYA that agency approval of the proposed reorganization and the associated appointments was being withheld. The Secretary desired that the new executive team reflect the ethnic, racial and sex composition of the CYA ward population. In accordance with that decision, the Secretary claims that the CYA was advised not to proceed further with the proposed reorganization, and that the Director was advised to hold all persons recommended for the executive team in their previous assignments pending final decision on the matter.

The Secretary contends that he never mandated appointment of an Hispanic without regard to qualifications. Rather, he requested the Department to exhaust all available avenues to find a qualified Hispanic to serve as a member of the executive team. While the Department had presented to the Secretary and his staff evaluations of all eligible CYA Hispanic employees, agency officials contend no satisfactory explanation was given to support the CYA's contention that adequate consideration was given to all candidates. The Secretary states he wanted some evidence to support the CYA's position that those individuals were not qualified to serve on the proposed executive team.

The Secretary eventually approved the CYA appointments on August 11, 1977, based upon the recommendation of the Agency's liaison to the CYA. According to the Secretary, the recommendation for approval was based upon a good faith effort on the part of CYA to find a qualified Hispanic for consideration for its executive team.

Currently, CYA is postponing the creation of a new deputy director position to be in charge of a proposed Human Rights Division. According to the Chief Deputy Director of CYA, the creation of this position, coupled with assurance that the position would be filled by an Hispanic, was responsible for breaking the impasse between CYA and the Agency. The Secretary of the Health and Welfare Agency has approved this position in principle but CYA has not yet submitted a detailed reorganization plan and a request for an additional position to the Agency or the Department of Finance.

QUESTION: Are State Cars Permanently Assigned to Management Personnel at Institutions Without Justification?

Currently 14 state cars are permanently assigned to management personnel at various CYA institutions. The cars are stored overnight at the employees' residences. Our review of this situation revealed that: (1) proper justification for the permanent assignment of these vehicles has not been prepared in most cases, and (2) there is a question as to the need of some CYA management personnel to have a state car permanently assigned to them.

Section 4130 of the State Administrative Manual states in part:

State automotive management policy is designed to facilitate effective vehicle utilization at the lowest possible overall cost. Agency Secretaries and the department directors are responsible for implementation of these policies and for supervision of vehicle ...within their jurisdictions...

Automobiles...will be permanently assigned to individuals only on the basis of actual need. Where pool automobiles are available, "need" is defined as mileage usage of not less than 6,000 miles in a six month period...

...Assignments of vehicles will be periodically reviewed to determine the continued necessity for assignment of each vehicle. New and replacement assignments of automobiles where "need" is indicated will be made accordingly...

Automobiles used for functions which have low annual mileage requirements will...be reassigned by the agency to other applications which have high mileage usage...

In addition, State Administrative Manual Section 4144.1 requires that when a state vehicle is frequently* stored at or in the vicinity of an employee's home, a permit must be obtained in advance from the employee's department. The employee is required to prepare a memorandum to the director of the department which contains, among other things, a statement as to the necessity to regularly store the vehicle overnight at the employee's residence and a recommendation for approval by the employee's supervisor.

On October 26, 1976, the Chief of Administrative Services of CYA sent a memorandum to all supervising parole agents, office managers, business managers and camp assistant superintendents which stated in part:

...Changes in the State Administrative Manual, as well as suggestions by the Department of Finance, now make it mandatory for us to maintain individual authorization for each employee who keeps his monthly assigned vehicle at his residence overnight.

Complete the attached authorization and forward it to your respective Deputy Director for approval. A copy of each approved authorization must be sent to Business Services.

Each authorization expires one year from the date shown on the authorization and must be renewed annually...

* "Frequently" is defined as more than 72 nights over a 12-month period.

Approximately one year later, on October 6, 1977, a similar memorandum was sent by the Business Services Officer of CYA to the chiefs of the Northern and Southern Divisions, institution business managers, camp assistant superintendents, and regional supervisors in the Parole Branch and Prevention & Community Corrections Branch. In spite of the above efforts, proper authorizations have been obtained for only 4 of the 14 state vehicles which are currently being stored at CYA employees' residences.

Our review of the usage of the 14 state vehicles which are permanently assigned to and stored at the residences of some CYA management personnel also raises a question as to the need of some of these employees to have a state car permanently assigned. For example, during the six-month period ending December 31, 1977, only 5 of the 14 permanently assigned vehicles had mileage usage^{*} in excess of 6,000 miles. The State Administrative Manual provides that state automobiles will be permanently assigned to individuals only on the basis of actual need and that "need" is defined as mileage usage of not less than 6,000 miles in a six-month period. It does not appear that there is a demonstrated need, based upon the State Administrative Manual criteria, for a majority of the vehicles permanently assigned to and stored at the residences of CYA management personnel.

* This mileage usage includes mileage from home to work area and home to headquarters.

On October 25, 1977, the Parole Branch Cabinet of CYA adopted a policy on the use of state cars which is scheduled to become effective March 1, 1978. This policy provides in part:

Regional Administrators will be responsible for authorization of private car mileage or assignment of state cars to staff in their region, consistent with departmental policy, the State Administrative Manual, Board of Control Rules and based on cost effectiveness...

...Authorization to store a state car at a staff member's home must be approved by the Deputy Director, Parole Services Branch. This authorization is limited to a period of one year and must be reviewed annually for each calendar year. Approved authorizations will be kept on file in Business Services, Management Services Branch...

Staff...may be authorized private car mileage or assigned a state car based on the concept of cost effectiveness.

The method of determining cost effectiveness will be based on the average number of miles driven on state business (excluding mileage from home to work area and home to headquarters).

An average of 1,150 miles per month or more driven on official state business is required before assignment of a state car can be authorized. Private car mileage should be authorized for mileage less than an average of 1,150 miles per month...

...Annual review by Regional Administrators of all state car assignments will be conducted whether the car is stored at the employee's home or not...

CONCLUSION

Currently, 14 state cars are permanently assigned to management personnel at various CYA institutions. The cars are stored overnight at the employees' residences. Our review of this situation revealed that: (1) proper justification for the permanent assignment of these vehicles has not been prepared in most cases, and (2) there is a question as to the need of some CYA management personnel to have a state car permanently assigned to them.

RECOMMENDATION

We recommend that CYA adopt department-wide the Parole Services Branch's policy regarding the assignment of state cars. Specifically, CYA should adopt a policy that provides (1) proper approval at the deputy director level of permanently assigned state vehicles, (2) proper filing of approved authorizations with the Business Services, Management Services Branch, (3) annual review of permanently assigned vehicles, and (4) adoption of an average of 1,150 miles per month or more on official state business as the criteria to demonstrate need for the use of a permanently assigned state vehicle.

BENEFITS

Implementing the above recommendations would ensure more appropriate and cost-effective use of state vehicles.

QUESTION: Have Profits from the Paso Robles Canteen Operation
Not Properly Reverted to the Ward Benefit Fund? Have
Burglaries Occurred Which Have Not Been Reported to
Police?

Since the Paso Robles institution reopened in April 1974 until December 6, 1977, the canteen operation has earned \$19,930 in profits (unaudited). However, none of these profits have been transferred to the institution's Ward Benefit Fund. CYA officials are unaware of any burglaries which may have occurred at the Paso Robles institution.

CYA established Ward Benefit Funds to provide money for the general welfare, education or entertainment of the wards in an institution or camp. The fund receives money from (1) donations from individuals or organizations and, (2) profits or income from vending machines, canteens and hobbycraft stores operated by or for the institution.

Institution canteen operations provide (1) the opportunity for wards to buy consumable goods such as film, candy and cigarettes, and (2) income for the Ward Benefit Fund. While CYA's administrative manual does not address canteen operations, CYA officials state that canteen profits are supposed to revert to the Ward Benefit Fund. CYA has not developed guidelines on operating canteens; instead, prices, operating hours and internal controls are set by each institution.

The CYA administrative manual contains procedures for reporting Ward Benefit Fund financial information. According to the manual, on February 1 of each year each institution shall submit a report for the preceding calendar year outlining:

- The amount of money in the account on January 1
- Amounts received, by source, during the year
- Amounts disbursed during the year
- The amount of money in the account on December 31.

The following table outlines information on CYA Ward Benefit Funds and canteen operations as of December 31, 1976.

Ward Benefit Fund Balances
Disbursements and Transfers
at CYA Institutions and Camps
as of 12/31/76 (Unaudited)

<u>Institution or Camp</u>	<u>Budgeted Ward Capacity (As of 4/1/77)</u>	<u>Ward Benefit Fund Ending Balance (As of 12/31/76)</u>	<u>Calendar Year Ward Benefit Fund Disbursements</u>	<u>Transfers to Ward Benefit Fund From Canteen Fund</u>
1. Fred C. Nelles	340	\$ 5,644.17	\$ 892.42	No Canteen Operation
2. Preston	402	Cannot be determined	700.34	Not available
3. Paso Robles	405	514.25	677.77	-0-
4. Youth Training School	983	4,057.63	15,052.82	\$ 8,500
5. O. H. Close	345	2,401.63	6,787.20	4,000.00
6. Karl Holton	340	878.28	6,130.03	5,500.00
7. DeWitt Nelson	400	9,679.22	3,081.70	6,200.00
8. Northern Reception Center-Clinic	270	1,835.38	1,003.51	500.00
9. Ben Lomard	76	2,086.35	1,060.65	2,500.00
10. Mt. Bullion	76	758.43	1,067.57	1,000.00
11. Pine Grove	76	812.83	954.69	1,500.00
12. Washington Ridge	76	184.81	-0-	-0-
Totals	<u>3,792</u>	<u>\$33,515.24</u>	<u>\$37,535.90</u>	<u>\$33,411.26</u>

As indicated above, the Paso Robles institution spent next to the fewest ward benefit dollars when compared to other institutions and closed the calendar year with the second lowest ending balance. Review of the Paso Robles Ward Benefit Fund and canteen financial records shows no record of transfers of funds from the canteen account to the Ward Benefit Fund since their operation began in fiscal year 1974-75. As a result, the canteen operation at the Paso Robles institution has accumulated profits of \$19,930. Officials at Paso Robles indicate these profits have accumulated because:

- Canteen financial statements have not been prepared regularly, and as result, management was unaware of this accumulation
- Standardized inventory processes have only recently been implemented
- Management wanted flexibility to shift to an operation with a full-time canteen manager, requiring money to fund salary and benefits
- Management has given other issues higher priority.

As previously discussed, CYA has not required periodic financial statements on canteen operations or established any standard inventory or accounting processes. During fiscal years 1975-76 and 1976-77 physical inventories of canteen goods were not taken regularly at Paso Robles. As a result, Paso Robles was unable to prepare financial statements for the Ward Benefit Fund and submit them to the Central Office by February 1, as required. Until July 1977, physical inventories and preparation of statements were conducted at Paso Robles on an as-needed basis. However, since July 1977, physical inventories have been conducted monthly.

Currently, Paso Robles has set a flat 20 percent mark-up on all items sold in the canteen. There are no standard procedures for conducting inventories, transferring funds or maintaining a level of operating capital. By way of comparison, the Youth Training School in Ontario (1) places its canteen operations on a revolving fund basis, (2) marks up prices from 22 to 26 percent (depending on the financial solvency of the canteen), (3) transfers funds to the Ward Benefit Fund approximately three times a year, and (4) prepares Ward Benefit Fund statements on a monthly basis after physical inventories are made.

Officials at Paso Robles agree that the accounting and inventory procedures at the institution have been inadequate in the past. While no burglaries have been reported to the police, and officials at Paso Robles state that they are unaware of any pilfering from the canteen, they admit that the lack of controls could have allowed burglaries to occur in the past without detection.

CONCLUSION

Since the Paso Robles institution reopened in April 1974 until December 6, 1977, profits of \$19,930 from canteen operations at the Paso Robles institution have not been transferred to the Ward Benefit Fund. Canteen profits have accumulated primarily because (1) statements have not been prepared regularly to inform management of the profits, and (2) standardized inventory processes have only recently been implemented. While there is no evidence of burglaries, inadequate controls in previous years could have allowed pilfering to occur undetected.

RECOMMENDATIONS

CYA should develop standard procedures and guidelines for preparing and reporting financial conditions of canteen operations. Such guidelines should outline the specific information to be reported periodically. Guidelines should also relate to matters such as price mark-ups, transfers of money to Ward Benefit Funds and appropriate levels of operating capital.

CYA should also review canteen inventory and accounting procedures at all institutions and camps, and consider establishing one standardized system.

BENEFIT

Implementing the above recommendations would help insure that canteen operations provide appropriate benefits to the ward population.

QUESTION: Were Funds Budgeted for the Installation of a Personal Alarm System at the Youth Training School, Ontario Used for Other Purposes? Was the Installation Completed a Year After it was Scheduled?

CYA has utilized both federal grant money and state funds to purchase and install personal alarm systems for each of its institutions and camps. Examination of accounting records for the major funding sources shows that monies were spent on the personal alarm system as intended. Further, the project was completed more than a year after it was scheduled because of poor planning and management and undefined lines of responsibility for the project.

The Department started planning for personal alarm systems in 1974 as part of a comprehensive \$11 million security renovation project. When the Department of Finance did not approve the total \$11 million renovation project, CYA acquired \$1.2 million in federal grants to begin the project.

Two types of personal alarm systems are installed in CYA facilities: an FM transmitter system manufactured by Protection Product (FM) in the living units and other buildings; and an ultrasonic transmitter system made by Unisec (Unisec) in the schools. With each system, employees carry portable transmitters which, if activated, send signals through a receiver to a control panel which indicates the location of the individual needing assistance.

Funding

CYA initially funded the purchase and installation of personal alarm systems with a Personal Emergency Assistance System (PEAS) grant for \$165,000 from the Office of Criminal Justice Planning (OCJP). Examination of expenditures for the PEAS grant indicates that only project-related materials and services were purchased with grant funds. Expenditures were as follows:

Equipment and Supplies	\$132,944
Personal Services (three temporary electricians)	15,791
Consulting Services:	
Office of Architecture and Construction (now Office of the State Architect)	6,000
Departmental Indirect Costs	2,994
Unspent Project Funds	<u>7,271</u>
Total	<u>\$165,000</u>

The PEAS grant funds were insufficient to complete the project. CYA continued the personal alarm project by using \$114,000 from its Special Repair and Maintenance (SR&M) funds in fiscal year 1975-76. Examination of all invoices indicates that, with the exception of \$6,420 for a water line, all expenditures were related to the personal alarm system. Because funds for individual SR&M projects are not listed as line items in the budget, the Facilities Planning and Safety Bureau (Bureau) may transfer SR&M monies among various projects as needed.

Thus, an expenditure for any SR&M project (such as a water line) is acceptable within the SR&M fund. According to CYA personnel, however, in this case proper accounting would have transferred the money to a separate account rather than charge it to an unrelated project.

Installation

The Facilities Planning and Safety Bureau, which is a Central Office staff group, and the individual institutions cooperated in purchasing and installing personal alarm systems. The Bureau managed the project and assumed responsibility for installing prototype FM systems, for providing layouts for wiring and for making the final hook-ups of equipment to the control panels. The Parole and Institutions Branch directed the institutions to use their electricians and maintenance staff to install conduit and wiring for the systems. Conduit necessary to install the FM system in the living units already existed at all institutions as part of the security sound system. However, re-wiring was necessary at several institutions, including the Youth Training School (YTS). The Unisec system required installation of conduit and wire since none existed in the school areas.

Although we found no inappropriate expenditure of funds, installation of the personal alarm system at YTS was delayed for over a year because:

- Technical difficulties developed
- Equipment and supplies were delivered later than anticipated

- Communication and coordination between headquarters and institutions were poor.

See Appendix A for the chronology of events at YTS.

Technical Difficulties

Since each institution is unique in design, personal alarm systems had to be adapted to fit the specific needs of each facility. At YTS in particular, a number of problems during installation delayed project completion and added to its cost. For example:

- Transmitter signals in the two-story living units could be picked up by receivers on both levels. Security could not determine the exact location of the person in need of assistance. Although the Department was aware of this problem in April 1975, it was resolved only in September 1976 with a decision to use two frequencies on alternating living units
- The Unisec installation placed heavier demands on YTS staff than CYA had expected and delayed planned completion even though extra labor was hired through other grants
- Installation of conduit for the Unisec system required drilling through concrete, a time-consuming process that had not been foreseen.

Equipment and Supplies Deliveries

Due to the urgent need for the alarm systems, CYA planned, according to the grant budget narrative, to purchase and install alarm equipment by September 30, 1975. CYA ordered Unisec and FM hardware in May 1975 for use at the southern institutions; however, it was not received until October 1975. Additionally, YTS did not receive some supplies ordered in early October 1975 for the Unisec installation until late March 1976. YTS requisitioned the supplies in October 1975, the Office of Procurement received purchase estimates from CYA Central Office in November 1975 and issued the purchase order in February 1976.

Poor Communication

Poor communication and lack of coordination between the Bureau and YTS also caused delays. For example:

- YTS' requisition in December 1975 for FM supplies was not put through by the Central Office because the Bureau maintained that those materials had already been supplied to YTS. Later YTS purchased them with institution funds
- Some of the conduit purchased for the Unisec installation was too small and additional conduit had to be purchased
- The Bureau advised YTS to run the Unisec conduit under the eaves of the trade building rather than on the roof, so it would not have to be removed for re-roofing; YTS felt that to keep it out of reach of wards, it should be put on the roof

- In addition, there was confusion as to exactly what materials would be needed at each institution and what funds would be used to pay for them. YTS, for example, placed several orders for FM supplies during the period December 1975 to October 1976; yet in September 1976, still did not know if all necessary materials were on hand. The Central Office first advised the institutions that the Bureau would buy FM supplies, and later advised that the institutions should buy them out of their own funds.

Similar problems delayed installations at other institutions as well. For example, personnel at one institution installed the Unisec panel in the school library rather than in the school office as instructed by the Bureau. The panel had to be relocated, costing extra time and money. Because maintenance staff at many institutions were unfamiliar with the electronic personal alarm equipment, the departmental supervising electrician had to make service calls on already installed systems in addition to installing systems in other institutions.

Project-Wide Delays

In general, poor planning and management had a negative impact on timely completion of the project department-wide. CYA management enlarged the scope of the project and changed priorities; consequently, the Bureau had to change plans many times.

Planning

The Bureau drew up the original plan and budget in the grant to conform to the amount of money OCJP made available for the project. This amount was less than CYA had requested and was inadequate to complete the project. After grant approval and project initiation, the Bureau realized that installation of a safe system providing adequate coverage would require more equipment, supplies and time than originally planned.

Project Scope Enlarged

The original plan called for installation of personal alarm systems in the living units and schools, and allowed for installation in other areas and buildings as resources might permit. However, rather than first completing installations in living units and schools at all institutions, the Parole and Institutions Branch expanded the scope of the project to include all areas and buildings where employees come in contact with wards, such as cafeterias, hospitals and maintenance shops.

As a result, workload increased for the institution staff, for the supervising electrician, for the Bureau and for the Office of Architecture and Construction which prepared drawings for the installations. Additional hardware and supply requirements also increased the installation costs.

Priorities Changed

Priorities for installation of personal alarm systems were initially determined by the Parole and Institutions Branch and the Bureau. YTS had fourth priority (after Paso Robles, Preston and Karl Holton institutions) and was scheduled to be completed by September 30, 1975. However, the YTS systems were the last to be completed. Pressure from employees caused CYA executive management to change the priorities. For example, in response to an employee grievance at the Ventura institution in November 1975, the Director of CYA ordered the Unisec system to be installed there as soon as possible. Not only did this delay installation at other institutions, but the Department also incurred additional costs according to the Chief of the Bureau, since it had to contract the work out to meet the new deadline. Departmental plans for security renovation called for installation of FM in parole facilities after installations in all institutions and camps had been completed. However, the Parole Division requested and received installation of FM in the Los Angeles SPACE parole center in August 1975 and in the San Diego Park Center parole facility in July 1976.

The timing of the final installation at each institution also depended on how soon the institutions completed installation of conduit and wiring. Assignment of staff to work on the personal alarm project was the responsibility of institution management. The project manager in the Bureau had no authority to direct institutions as to when to complete their part of the installations.

Overall, the personal alarm project was not well planned. Inadequate initial funding, project expansion and changing priorities made project management difficult. The project manager had no authority to direct the institutions as to how or when to complete their part of the installations, and had little control over factors that contributed to delays such as vendor deliveries, the state procurement process or technical problems.

CONCLUSION

CYA used federal grant funds and state funds to purchase and install personal alarm systems at CYA institutions. Funds budgeted for this project were properly spent. Installation of the systems at YTS was delayed for a year after it was scheduled for completion due to (1) technical difficulties, (2) late vendor deliveries, and (3) poor communication and coordination between CYA Central Office and the institutions.

RECOMMENDATION

CYA should identify lines of authority for all construction or renovation projects. While policy-related decisions should probably rest with the Institutions and Camps Branch, the Facilities Planning and Safety Bureau should make all technical nonpolicy decisions. As to deployment of labor at the institutions, changes in plans and other such issues, the Institutions and Camps Branch and the Bureau should make greater efforts to communicate objectives, priorities and needs for smoother coordination of projects.

BENEFIT

Implementing the above recommendation would help maximize staff resources, avoid unnecessary time delays and clarify lines of authority. As a result, problems experienced during completion of the personal alarm system project should be minimized on future projects.

QUESTION: Is an Aircraft Which is Leased to the Paso Robles Flying Service, a Contractor With CYA, Owned by Three CYA Employees?

Since May 1974, CYA has contracted with the Paso Robles Flying Service (Service) for charter flights between Paso Robles and Sacramento, Stockton and Ontario. Between June 1974 and October 1976, two CYA employees were registered owners of an aircraft which was leased to the Service. The aircraft was one of two aircraft used by CYA under contract with the Service. By October 1976, the two employees had sold the aircraft; however, CYA continued to contract with the Service. According to the Legislative Counsel no conflict of interest was present for the CYA employees involved in the above lease situation. (See Appendix G.)

CYA has based its decision to contract for charter air service on its need for convenient accessibility to Paso Robles since the institution's reopening in 1974. Under the contract, the Service provides charter flights between specific locations at set rates.* CYA has competitively bid the contract each year, with the Service submitting the lowest bids. Comparison of the Service's current air charter rates to 11 other air charter services in Sacramento and Paso Robles verifies the Service's competitive rates.

* An hourly rate is charged for flights to and from locations other than those specified in the contract.

Between June 1974 and October 1976, two CYA employees owned^{*} a 1968, five-passenger Piper Aztec aircraft that was leased to the Service. Under the lease, the owners were paid an hourly rate for each hour the aircraft was flown. The agreement guaranteed a minimum monthly payment to the owners, who paid for all gasoline and oil. During the period that CYA employees owned the aircraft, other clients of the Service also chartered the aircraft. We did not determine the degree to which CYA use of the aircraft contributed to the total earnings which accrued to the CYA employees from the lease. In October 1976, the aircraft was sold to the Service. About a year later, the service resold the aircraft.

The Legislative Counsel, in an opinion dated February 16, 1978, stated in part:

...The statutory law relating to conflicts of interest is scattered throughout the various codes. The majority of these statutes prohibit public officers and employees from entering into transactions which will conflict with the performance of their official duties.... In the most broadly applicable of these statutes (e.g., Sec. 1090, Gov. C., and Sec. 87100 et seq., Gov. C.), it is necessary that some sort of financial interest be present which the public officer or employee will foreseeably affect by his official actions.

...In this case we have been presented with, there are no facts to indicate that the employees in question influenced the making of the charter contract between the CYA and Paso Robles Flying Service. Lacking this element, even though it was obviously to their financial advantage that such a charter contract be made, there can be no violation of Section 1090.

* Based on Federal Aviation Administration aircraft registration records.

Similarly, under the conflict of interest provisions of the Political Reform Act of 1974 (Sec. 87100 et seq.), a public official must either participate in or attempt to influence a governmental decision affecting his financial interests before a conflict of interest can be found to exist (see Secs. 87100-87103). Again, we have been given no information as to such participation or influence in this situation on which to base a finding of conflict of interest.

Lastly, a state employee is prohibited by Section 19251 from engaging in any employment, activity, or enterprise which is inconsistent, incompatible, or in conflict with his official duties. Under Section 19251 each agency is required to determine for its officers and employees which activities are incompatible with their duties. Such determination is, however, subject to the approval of the State Personnel Board. We have reviewed the CYA's statement of incompatible activities which was in effect during the period which the transactions in question occurred and have found no restriction which per se is applicable to this situation.

In conclusion, we find no conflict of interest involved for the CYA employees during the period in question.

Cost Effectiveness of Contract

CYA's contract with the Service specifies set rates for service between Paso Robles and Sacramento, Stockton and Ontario. The Service charges \$75 per flying hour for flights between other locations. Since fiscal year 1974-75, CYA has used the Service as follows:

<u>Fiscal Year</u>	<u>Amount Spent</u>	<u>Number of Passengers Carried</u>
1974-75	\$14,966	199
1975-76	9,053	140
1976-77	5,648	69
1977-78	2,184 (As of 9/21/77)	27

Under the contract, rates charged to CYA are based upon points of origination and destination and the size aircraft used. While the number of passengers carried does not affect the rate charged to CYA, CYA has determined that the contract is cost-beneficial when there are two or more passengers per flight. However, CYA has no formal guidelines to ensure cost-effective use of the contract. The Department has no procedures to monitor the need for charter air service or how many passengers are scheduled for each trip. As a result, a significant number of flights are made each year with only one passenger.* Review of flight records indicate the following:

<u>Fiscal Year</u>	<u>Total Number of Flights</u>	<u>Number of Flights With Only One Passenger</u>	<u>Percentage</u>
1974-75	120	81	68%
1975-76	63	29	46
1976-77	30	9	30
1977-78	15	6	40

The above use of the charter air service indicates that CYA has not cost-effectively used the service. CYA should evaluate the cost and benefits of its contract with Paso Robles Flying Service and establish guidelines for using the service if the contract is continued.

* Usually a member of CYA Central Office or Paso Robles institution management.

CONCLUSION

Since 1974, CYA has contracted with the Paso Robles Flying Service for charter air service. Between July 1974 and October 1976, two CYA employees were registered owners of an aircraft which was leased to the Paso Robles Flying Service. The aircraft was one of two aircraft which was used by CYA under conditions of a contract. By October 1976, the two employees had sold the aircraft. According to the Legislative Counsel no conflict of interest was present for the CYA employees involved in the lease situation.

CYA has not developed guidelines which insure cost-effective use of the charter service. While CYA states that use of the Service is cost-beneficial with two passengers per flight, records indicate that at least 30 percent of the flights have carried only one passenger.

RECOMMENDATION

CYA should establish formal guidelines on use of charter air services. Such guidelines should outline criteria to insure cost-effective use of the service. CYA should evaluate the need for the contract with charter air services.

BENEFIT

Following criteria for cost-effective use of charter air transportation could save the State money in travel costs.

QUESTION: Does CYA Employ More Treatment Team Supervisors Than are Provided for in the Job Specification? Do Treatment Team Supervisors Maintain Timecards?

The job specification for treatment team supervisors (supervisor) generally assigns supervisors responsibility for two living units. CYA has been authorized to assign only one living unit to a supervisor on a case-by-case basis. However, some supervisors perform duties which are not provided for in their job specification and, therefore, may be misclassified.* CYA institutions use at least five supervisor positions for managing ward rights programs, volunteer programs and ancillary services which are not provided for in the supervisor job specification.

CYA management identifies the position of supervisor as middle-management responsible for up to ten staff and reporting to an institution's assistant superintendent. Because of their staff level and work week classification, supervisors do not punch-in timecards on a clock.

The State Personnel Board's supervisor job specification states that supervisors are typically responsible for managing the staff, custody, group work, casework and education of a treatment section. A treatment

* Misclassification of employees exists in some departments. For further discussion on the management of position classification, see Auditor General Report 706.2, "Improvements Needed in the Management of Position Classification in State Service."

section is typically comprised of two 50-bed living units. According to the job specification, a supervisor:

...plans, organizes, coordinates, and controls programs which are developed to change undesirable attitudes and behavior patterns of the wards in a treatment section ... develops the work schedules for the staff to meet changing work load ... participates in the recruitment, training, and supervision of assistants.

The following table summarizes the number of living units and supervisors at each CYA institution.

Budgeted Living Units and Treatment Team Supervisors (TTS) As of June 30, 1978					
<u>Institution</u>	<u>Number of Living Units</u>	<u>Number of TTS's Regular Programs (Generally 2 Living Units)</u>	<u>Number of TTS's Special Programs (Generally 1 Living Unit*)</u>	<u>Other</u>	<u>Total TTS's</u>
Northern Reception Center-Clinic	6	2	1	1	4
Southern Reception Center-Clinic	7	3	-	1	4
Fred C. Nelles School	12	6	-	-	6
O.H. Close	7	-	7	-	7
Karl Holton	7	4	-	1	5
DeWitt Nelson	7	3	1	-	4
Youth Training School	19	9	1	2	12
Paso Robles	9	3	3	-	6
Preston School of Industry	9	4	1	-	5
Ventura	9	3.5**	2	0.5**	6
Total	<u>92</u>	<u>37.5</u>	<u>16</u>	<u>5.5</u>	<u>59</u>

* These cases generally involve special treatment programs designed for specific portions of the ward population.

** Supervisor devoting 50 percent of time to management of a living unit and 50 percent of time to other duties such as ward rights.

The table indicates that 63 percent of the supervisors generally manage two living units, 27 percent manage one living unit with special treatment programs and 9 percent manage programs or operations not directly related to a specific living unit. According to CYA, these positions are being used as full-time clinic process supervisors, ward rights program supervisors and part-time administrative aides coordinating volunteer programs and other staff functions -- all functions not provided for in the State Personnel Board's job specification. Additionally, some supervisors who are responsible for only one living unit devote up to 50 percent of their work time to administrative duties not directly related to the management of their treatment section and not provided for in their job specifications.

We reviewed the duties of six supervisors at the Paso Robles institution and two at the Youth Training School in Ontario. At Paso Robles, we found that four of the six supervisors devote 20 to 50 percent of their time to performing duties not directly related to the duties outlined in their job specification. At the Youth Training School in Ontario, neither of the supervisors we reviewed devoted any of their work time to duties provided for in their job specification. For example, one supervisor at Paso Robles spends 25 to 30 percent of his time as an administrative aide to the superintendent. In that capacity, he chairs committees addressing topics such as safety or inspections at the institution. The products of these committees are generally short, written reports. He may also be called upon to serve as a fact-finder for the institution's Disciplinary Decision-Making System (DDMS).*

* An informal method for ensuring fair and nonarbitrary decisions regarding discipline of wards. Implemented in January 1973, the system includes an investigation of charges, a committee hearing and an appeal process.

Implementing new CYA programs without concurrent amendments to job specifications has caused supervisors to be assigned responsibilities outside their official duties such as the ward rights, DDMS and volunteer programs. At the same time CYA staff at other levels of responsibility and pay also perform many of the same duties performed by supervisors. For example, at the Paso Robles and Ontario institutions, some supervisors devote 50 to 100 percent of their time to serving as fact-finders, hearing officers and ward grievance coordinators for the ward rights programs. However, at Fred C. Nelles and Preston institutions, parole agents perform these duties. In addition, at the Northern California Reception Center-Clinic, a one-half time supervisor coordinates the volunteer program while at Paso Robles a youth counselor coordinates the program, and at the Southern Reception Center - Clinic a clerk typist II coordinates the volunteer program.

CYA's personnel division has shown concern over the accuracy of supervisor classifications. In November 1976, CYA directed one of its personnel analysts to study the approximately 40 job classifications unique to CYA. As part of this study, the analyst reviewed about 18 supervisor positions. The analyst did not complete the study because she was transferred to another department. CYA's Personnel Chief believes the supervisor job specification as well as the duties currently being performed by the incumbents need to be reviewed.

CONCLUSION

CYA employs treatment team supervisors only in positions which have been authorized by the Department of Finance and budgeted by the Legislature. However, CYA has assigned some of its supervisors duties which are not outlined in the job specification. Some of these duties are also performed by employees with different classifications and pay levels. As a result, it appears that some supervisors may be misclassified.

RECOMMENDATION

The CYA, with the assistance of the State Personnel Board, should evaluate the duties performed by all treatment team supervisors. They should consider:

- Amending the job specification and allocation standard for the supervisor position
- Reassigning some current supervisor duties to more appropriate classes of employees and re-evaluating the authorized number of supervisors
- Creating a new job class for the performance of duties associated to ward rights programs and other staff functions.

BENEFIT

Implementing the above recommendation would aid in insuring (1) correct allocation of employees to classifications, and (2) pay levels commensurate with duties performed.

QUESTION: Has Implementation of CYA's Ward Rights Programs
Required Redesignation of Regular Line Positions, Which
May Conflict With Legislative Intent?

During 1973, CYA implemented the ward grievance system and the Disciplinary Decision-Making System (DDMS). These ward rights programs established procedures for responding to ward complaints and a method for ensuring fair and nonarbitrary decisions regarding disciplining of wards. Duties associated with these programs were originally assigned to existing staff at various levels within the institutions; no new positions were budgeted to operate the programs. However, CYA redesignated line positions which were classified to perform other duties. As a result some positions have been misclassified. It cannot be determined whether the redesignation of positions conflicts with legislative intent.

The ward grievance system, a process for resolving ward complaints, consists of a committee of wards and staff who cooperatively attempt to resolve grievances. Higher levels of review are available to a ward if there is no resolution at lower levels. CYA initiated the system in 1973 through pilot projects at institutions. The projects proved successful and CYA began implementing the program statewide in 1975. In 1976, the Legislature enacted statutes (Welfare and Institutions Code, Section 1766.5) which confirmed the procedure already in use and assured its continuance. The number of grievances filed by wards varies with ward population. In 1977, about 500 grievances were filed per month. CYA records reflect the following activity:

<u>Calendar Year</u>	<u>Number of Grievances</u>	<u>Comment</u>
September 1973 - December 1974	789	Experimental period with a slow progression of institutions participating.
1975	5,110	System fully implemented at all institutions as of July 1975.
1976	9,210	System implemented for Parole Regions.
1977	6,761	CYA estimates total will increase to over 7,000 when final reports are filed to Central Office.

The DDMS program was implemented in 1973 and later modified to conform to a June 1974 U.S. Supreme Court decision^{*} which affirmed protection for residents of correctional facilities who face punitive sanction. The system determines punishment for ward behavior while ensuring due process protection for the wards. The DDMS process provides for an investigation of charges, a hearing before a committee and an appeal process. In 1976, approximately 4,400 disciplinary hearings were conducted at CYA facilities.

Handling ward complaints and disciplining wards for misconduct was traditionally assigned to custody and treatment staff. Implementation of the two ward rights programs created formal procedures and duties for functions previously performed on an informal basis. Specifically, the two programs created three sets of responsibilities:

^{*} Wolfe vs. McDonnell, June 1974.

- The ward grievance coordinator arranges grievance hearings and handles the paperwork associated with the Department's grievance monitoring system
- The DDMS investigator investigates reported misconduct, interviews witnesses, locates physical evidence and apprises wards of their rights
- The DDMS fact finder/hearing officer coordinates witnesses, screens documents, conducts the DDMS hearings and documents the final disciplinary decisions.

CYA absorbed the extra workload created by the ward rights programs by using available staff resources. Duties were assigned to employees in the institutions who best could absorb the workload. As a result, employees with various classifications receiving different levels of pay assumed responsibility for the duties. For example, a treatment team supervisor who may have previously been responsible for two living units, became responsible for one living unit plus the duties of the fact finder/hearing officer. (For other examples of classes responsible for ward rights program duties, see Appendix B.)

During the legislative hearings in 1976, the former CYA Director testified that the ward grievance procedure could be implemented within current CYA resources and would require no additional funding for that budget year.

The duties of ward grievance coordinator continue to be performed at the institutions without budgeting additional staff. While redesignation of some existing positions may have prevented reductions in institution staffs in those instances where ward populations have decreased, it cannot be determined whether redesignation constitutes a conflict with legislative intent.

The duties of the DDMS investigator and fact finder/hearing officer were initially absorbed by institution staff. However, CYA obtained funding for full-time investigator positions starting in fiscal year 1976-77. These positions were justified after gathering workload data and determining staffing requirements. CYA has also requested funding for full-time fact finder/hearing officer positions, but these positions were not authorized by the Department of Finance for fiscal year 1978-79.

While it cannot be determined if CYA is in conflict with legislative intent with regard to the ward rights program, the Department has misclassified certain positions in the process of performing ward rights program duties. At the institutions in Paso Robles and Ontario, treatment team supervisors devote 20 to 100 percent of their time performing ward rights program duties which are not outlined in their job specification. Although CYA intended to generally use treatment team supervisors for the ward rights program, a variety of positions have been assigned these program duties; job specifications for these classes also fail to provide for ward rights program duties. Examples of classifications currently responsible for these duties are shown in Appendix B of this

report. Assigning additional duties which are not provided for in an employee's job specification does not necessarily cause a position to be misclassified. However, in some cases CYA has allowed those duties to become the primary responsibilities of the employee. Furthermore, assignment of ward rights duties to employees with differing classifications and pay levels indicates that misclassification and improper pay levels exist in some cases.

CONCLUSION

In 1973, CYA implemented the ward grievance and disciplinary decision-making programs. Duties associated with these programs were assigned to existing staff at various levels within the institutions; no new positions were budgeted to operate the programs. However, CYA has redesignated regular line positions to perform the duties. While it cannot be determined if this action conflicts with legislative intent, the redesignation has caused misclassification of some positions.

RECOMMENDATION

CYA should determine the resources necessary to operate the ward grievance and DDMS programs. Staff currently performing ward grievance duties should be correctly classified. If new positions are required to conduct the program, budget requests should be made which would enable the Legislature to properly evaluate the program in terms of its actual costs.

As detailed on page 46, CYA should evaluate the positions performing ward rights program duties and correct misclassifications.

BENEFIT

Implementing the above recommendation would ensure appropriate classification of employees performing ward rights duties. Additionally, actual program cost data would be developed which would allow the Legislature to properly evaluate the program and future budget requests associated with it.

QUESTION: Was Approximately \$200,000 of State Funds Improperly
Used During the 1974 Reopening of the Paso Robles
Institution?

Under a fiscal year 1973-74 contract between CYA and Los Angeles County, the county was to pay for the cost of reopening the Paso Robles institution up to a maximum of approximately \$1.2 million. While review of CYA financial records indicates no misuse of the funds allocated for the reopening, comparison of costs to billings indicates that CYA underbilled Los Angeles County by approximately \$34,000, thus causing an expenditure of state funds.

Due to the 1971 earthquake damage, the county closed certain juvenile facilities, resulting in severe overcrowding. To alleviate the problem, the county negotiated a contract with CYA to house 200 county predisposition cases at the Older Boys Reception Center. In 1974, CYA transferred the 200 county wards to the Youth Training School, Ontario, when the Department of Corrections took over the Older Boys Reception Center. To house YTS wards displaced by the county wards, the county agreed to fund the reopening of the Paso Robles institution.

In addition to paying a contractual rate to CYA for the care of 200 county wards, the county agreed to pay the actual cost of reopening the Paso Robles institution up to a maximum of \$1,194,828. It was agreed that the county would reimburse CYA for actual costs incurred by the State.

Review of budgets, financial statements, accounting records and other documents revealed no inter-fund transfers or improper expenditures. However, our initial comparison of actual expenditures and accruals to billings indicated an underbilling to the county. To determine the actual condition, CYA accounting staff and Auditor General staff together reviewed allowable costs, actual expenditures and adjusted for accruals. An underbilling of about \$34,000 was identified. Actual expenditures and billings were as follows:

Personal Services	
Paso Robles	\$230,108
Youth Training School	64,593
Operating Expenses and Equipment (Adjusted for rental reimbursement)	402,009
Moving and Relocation	90,248
Indirect Cost (16.1 percent)	<u>126,700</u>
Total Costs	\$913,658
Amount Reimbursed by Los Angeles County	<u>879,449</u>
Under Reimbursement	<u>\$ 34,209</u>

According to CYA officials, the underbilling occurred because:

- Invoices sent to Los Angeles County did not include cost of personal services at the Youth Training School, Ontario, a cost allowed under the contract
- Accounting records, maintained at Ontario, were never current because expenditures were made at Paso Robles and then documents forwarded
- Money was spent and the reopening accomplished over only a four-month period
- Cost information for billings was communicated to the Central Office over the telephone
- Invoices sent to Los Angeles County were not adjusted for estimates.

CONCLUSION

Los Angeles County, as part of a contract with CYA, was to repay the State for the actual cost of reopening the Paso Robles institution up to a maximum of approximately \$1.2 million. While review of CYA financial records indicates no inter-fund transfers or improper expenditures, comparison of actual costs to billings indicates that CYA underbilled Los Angeles County by about \$34,000, thus causing an expenditure of state funds.

RECOMMENDATION

CYA should recover money owed to the Department by Los Angeles County under its fiscal year 1973-74 contract with the county.

BENEFIT

Implementing the above recommendation would enable the State to recover money for expenses provided for in the contract with Los Angeles County.

QUESTION: Does the Former Director of CYA Own the American Arbitration Association, a Private Firm Which Contracts with CYA?

The American Arbitration Association (AAA) is a nonprofit membership organization which has no stockholders. It pays no dividends to its members; however, members may receive fees for services rendered. We could find no evidence that the former Director of CYA has ever owned AAA.

The American Arbitration Association incorporated in 1926 as a nonprofit organization under the membership laws of New York. It offers a wide variety of dispute settlement services including labor arbitration, election supervision, community mediation, no-fault automobile arbitration and prison inmate grievance arbitration. AAA also conducts training seminars in negotiating skills.

Since June 1975, AAA has contracted to provide arbitrators for the CYA ward grievance system. This system was developed under the previous Director as a means to improve the resolution of ward complaints. CYA initiated a pilot ward grievance system in 1973. The ward grievance procedure was added to the Welfare and Institutions Code, Section 1766.5, as of January 1, 1977.

According to the request for sole source justification filed by CYA, AAA is the only dispute resolution agency in California whose expertise and services include arbitration in a correctional setting. AAA assisted CYA in designing and developing the ward grievance procedures and, during the first nine months of pilot operations, provided its services to CYA with no compensation. Since that time, all CYA contracts with AAA have called for administration fees of \$100 per case filed, plus a maximum of \$75 for expenses for grievance arbitration. Fees for consultation implementation and research services are \$25/hour plus expenses. Payments to AAA for these services have been:

<u>Contract Period</u>	<u>Contract Amount Not to Exceed</u>	<u>Amount Paid</u>
6/1/75 - 6/30/76	\$14,700	\$8,175
7/1/76 - 6/30/77	20,500	6,575
7/1/77 - 6/30/78	20,500	2,775 (July through December 1977)

As previously discussed, AAA is a nonprofit membership organization. There are no stockholders nor are dividends paid to its members. According to the president of the organization, the former Director of CYA has never been a member of the AAA. The former Director also related he had never been a member. Based upon discussions with the President of AAA and the former Director of CYA, a review of the by-laws and annual report and a Dun & Bradstreet analysis of AAA, we could find no evidence that the former Director of CYA has ever had any financial connection with AAA.

CONCLUSION

We could find no evidence that the former Director of CYA has ever owned the American Arbitration Association. AAA has members rather than stockholders and pays no dividends to its members. We could find no evidence of financial connection between AAA and the former Director of CYA.

QUESTION: Were Color Televisions, Purchased with CYA Funds for
the Youth Training School, Ontario, Diverted to
Employees' Homes?

A CYA August 1977 physical inventory conducted at the Youth Training School, Ontario, accounted for all color televisions for which purchase orders and property records exist. While it cannot be determined if color televisions were diverted to employees' homes prior to the August 1977 inventory, a thorough review of all available documentation and records does not indicate that such an event took place.

Prior to June 1975, YTS had no color televisions in the institution. At that time, YTS instituted a program to purchase color televisions through various funding sources including the State General Fund and the Ward Benefit Fund.

The CYA administrative manual states that property records will be maintained for all accountable equipment. Physical inspections and inventories of equipment maintained on property records will be made at least once every three years. Property clerks or other responsible persons are to prepare survey reports whenever the Department disposes of property.

Since 1970, YTS has conducted three physical inventories, the most recent in August 1977. As part of our investigation, we reviewed all color television purchase orders and property records. As of December 7, 1977, YTS had 34 color televisions. During our visit to YTS we verified that those televisions were either located at YTS or accounted for through a survey report.

CONCLUSION

All color televisions which should be located at YTS according to purchase orders and property records were accounted for at YTS during an August 1977 physical inventory and were independently verified by Auditor General staff. However, we could not determine whether televisions were diverted to employees' homes prior to our inspection.

QUESTION: Were Meals Which Only Cost \$2.00 Purchased for \$5.00
Each for the Paso Robles Institution, and Was the Price
Difference Split with CYA Officials?

In May 1974 CYA purchased 3,322 meals to feed the wards at Paso Robles for 21 days. The average cost of these meals was \$1.91. It cannot be determined if the profits on the sale of these meals, if any, were split with CYA officials.

In April 1974, CYA reopened the institution in Paso Robles in order to house state wards displaced by Los Angeles County's use of facilities at the Youth Training School, Ontario (see page 54). Equipment at the Paso Robles institution had been removed and cooking facilities were unavailable when the first 50 wards reported on May 1, 1974.

To feed the wards until new equipment could be installed, CYA contracted with the California Restaurant Supply Company to cater three meals a day for the wards. Services were provided for 21 days in May 1974. During that time, California Restaurant Supply served 3,322 meals at a cost to CYA of \$6,364, or \$1.91 per meal.

CONCLUSION

The average cost to cater meals at the Paso Robles institution for 21 days was \$1.91.

It cannot be determined whether representatives of the California Supply Company split profits with CYA officials.

QUESTION: Do CYA Institutions Receive Only Small Portions of the \$1.5 Million Training Budget? Do Treatment Team Supervisors Receive Most of the Training? Are Training Records Maintained? Are Paso Robles Institution Training Monies Used to Lease an Aircraft?

During fiscal year 1976-77, CYA spent about \$2.5 million for departmental training. The Parole and Institutions Branch^{*} spent about \$1.6 million of the Department's total budget. The majority of those funds were spent on the Modesto Training Academy and back-up staff for employees attending courses. Review of the Department's management of training resources shows that:

- The Parole and Institutions Branch allocated \$1.1 million of its total training budget to its institutions and camps
- Treatment team supervisors do not receive most of the training; custody staff^{**} receive most of the training
- Institutions prepare records on (1) training received by each employee, (2) total cost of training and (3) how training money is spent
- Training money has not been used by the Paso Robles institution to transport employees to courses on a leased aircraft

^{*} As of January 1, 1977, the Parole and Institutions Branch split into two separate branches. For purposes of this issue, only events occurring prior to the reorganization will be discussed.

^{**} Senior youth counselors, youth counselors, group supervisors and parole agents are considered to be custody staff.

- The Department has completed a comprehensive study of its training activities and is in the process of changing the current system.

Allocation of Training Budget

The Parole and Institutions Branch receives the largest portion of training money. In fiscal year 1976-77, the Branch spent approximately \$1.6 million. Their training funds generally were spent as follows:

Modesto Training Academy	\$ 331,100
In-Service Training (Back-up hours for Custody Staff)	702,081
Institutions, Camps, Parole Offices *	242,620
Branch-wide Training *	254,380
Special Training Programs	<u>63,500</u>
Total	<u><u>\$1,593,681</u></u>

The Parole and Institutions Branch directly manages about \$500,000 of the total training budget; funds for the Modesto Training Academy and in-service back-up hours are appropriated directly to the individual institutions and camps. During fiscal year 1976-77, about \$242,620 was allocated to the individual institutions, camps and parole regions. Approximately \$122,500 went to the institutions and camps.

* Includes mandated training courses. The California Penal Code mandates specific forms of training for various classes of correctional employees.

The Parole and Institutions Branch training funds are not allocated based on an assessment of training needs. The Branch requests each institution to assess its training needs and submit training plans to the Branch's training committee. The committee, consisting of representatives from all staffing levels in the Branch, reviews each institution's request, summarizes the priorities and prepares a composite training priority list. The committee determines which courses will be conducted branch-wide and which ones will be presented at specific institutions. While cost estimates are applied to branch-wide courses, training funds are not allocated to institutions based on need. Rather, the funds are allocated to the institutions and camps in proportion to the number of employees. Furthermore, proposed training budgets are based upon previous year funding, not on identified needs.*

Staff Receiving Training

During fiscal year 1976-77, approximately 12,350 participants attended training and received an average of 13.2 hours of professional and technical training. Overall, post positions (youth counselors, group supervisors), program staff and support staff received the most hours of training. The following table summarizes the number of people in each category and the number of hours of training for each work group in each training category.

* Training needs are not assessed in many departments. For further discussion on the management of training programs, see Auditor General Report 706.3, "Insufficient Leadership and Accountability in the Training of State Employees."

The Number of Staff in Each Work Group Trained
and the Number of Hours of Training Received By Each Work Group
In Each Training Category During Fiscal Year 1976-77

	TREATMENT		WARD RIGHTS		SECURITY		SKILLS		OTHER*		TOTALS	
	Staff	Hours	Staff	Hours	Staff	Hours	Staff	Hours	Staff	Hours	Staff	Hours
Post Positions	1,068	11,556	395	2,139	1,249	22,504	1,886	16,479	297	1,419	4,895	54,097
Parole Agents	153	1,868	75	723	99	1,597	398	4,311	80	547	805	9,046
Program Staff	252	2,456	116	716	250	3,284	671	7,674	111	411	1,400	14,541
Ancillary Staff	77	917	26	172	117	3,328	428	4,404	43	93	691	8,914
Support Staff	95	1,211	34	278	59	872	1,139	15,845	63	458	1,390	18,664
Consultant	1	136	1	16	0	24	56	502	1	4	59	682
Suprvsn/Mgmt. *	126	2,409	114	1,066	157	3,503	504	9,676	41	401	942	17,055
Other	13	177	17	383	5	32	56	564	20	215	111	1,371
Totals	<u>1,785</u>	<u>20,730</u>	<u>778</u>	<u>5,493</u>	<u>1,936</u>	<u>35,144</u>	<u>5,138</u>	<u>59,455</u>	<u>656</u>	<u>3,548</u>	<u>10,293</u>	<u>124,370</u>

SOURCE: Study of Departmental Training, Department of the Youth Authority, July 1, 1977.

NOTE: The above table represents approximately 85 percent of total departmental training.

Statistics maintained at the Paso Robles and Youth Training School institutions verified the above statistics. During fiscal year 1976-77, only 23 management employees (including treatment team supervisors) at Paso Robles attended training courses, while 143 custody staff and 120 support staff attended courses. Furthermore, custody staff received 7,222 of the 10,156 (71 percent) staff training hours. At the Youth Training School, management staff attended training 659 times while custody and support staff attended courses 2,197 times and 584 times, respectively.

* Treatment team supervisors are included in this category.

Training Records

CYA maintains extensive training records. Institutions develop training plans (see Appendix F) for different types of training courses. Training plans identify course, trainer or sponsor, training need or problem, objectives, individuals selected to attend and cost estimates. The cost estimates reflect per diem, transportation mode and cost, tuition and other related information.

The Paso Robles and Youth Training School institutions also maintain employee training histories which identify all training courses each employee has attended while at an institution.

Review of the training records at the Paso Robles institution revealed the following use of training funds:

	Fiscal Year	
	<u>1976-77</u>	<u>1977-78</u>
Tuition	\$ 4,009.25	\$ 6,868.20
Travel	966.30	725.50
Per Diem	<u>6,739.80</u>	<u>4,030.00</u>
Totals	<u>\$11,715.35</u>	<u>\$11,623.70</u>

Use of Charter Air Service

According to the institution Training Officer, the Paso Robles institution established its training office in April 1975. Prior to that date, Paso Robles employees did not participate in any training programs. Paso Robles received its first training budget allotment in fiscal year 1975-76 and began using those funds in about October 1975.

The institution has on occasion used funds from its travel budget to charter an airplane to send employees to courses in Sacramento. However, according to the Training Officer, Paso Robles institution has never used any training funds to pay for charter air service in transporting employees to training courses.

Departmental Training Study

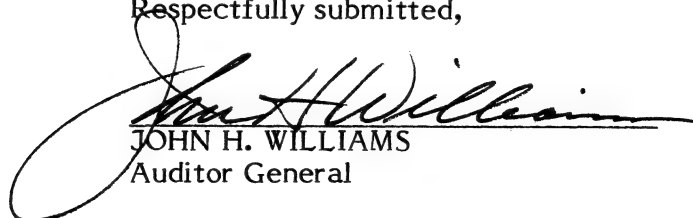
On July 1, 1977, CYA published a comprehensive study on departmental training. The study examined all aspects of employee development and training programs in CYA. As part of the study, CYA gathered and analyzed information on (1) training activities in fiscal year 1976-77, (2) training assessment systems used by CYA, (3) training effectiveness, (4) allocation of training resources, and (5) evaluation of training programs.

The study presents major findings and conclusions on 14 categorical areas. CYA's executive management team is currently evaluating the study's recommendations. Since completing the study, CYA has transferred training responsibilities from its personnel division to a newly created training division as recommended in the study. CYA plans to develop a system for assessing employee training needs.

CONCLUSION

Approximately 64 percent of the Parole and Institutions Branch's total training money and 25 percent of the discretionary training money has been allocated to the institutions and camps. Treatment team supervisors do not receive most of the training. Overall, post position, program staff and support staff attended the most training courses during fiscal year 1976-77. CYA maintains training records on the different training courses presented, associated costs and employees attending. Personnel records show individual training histories. According to the Training Officer, the Paso Robles institution has never used training funds to transport employees to training courses on a leased aircraft.

Respectfully submitted,



JOHN H. WILLIAMS
Auditor General

March 7, 1978

Staff: Gerald A. Silva, Audit Manager
Richard C. Mahan
Mary M. Quiett

DEPARTMENT OF YOUTH AUTHORITY

4241 Williamsborough Drive
Sacramento, California 95823



March 6, 1978

The Honorable Mike Cullen, Chairman
Joint Legislative Audit Committee
925 L Street, Suite 750
Sacramento, California 95814

Dear Mr. Cullen:

Thank you for the opportunity to comment immediately on the draft copy of the recently rendered audit report by the Auditor General on some management questions regarding the Youth Authority. The full report has been in our hands only two days and it is noted with appreciation that there will be an opportunity to comment in detail within sixty days of your receipt of the report.

It is noted with pleasure that during their audit activities, staff of the Auditor General's office demonstrated a high level of professionalism and circumspection.

In reviewing the twelve issues audited by the Auditor General's staff, I note that only one is of such a scale that it involves the Health and Welfare Agency. That issue is best understood by reading the three memoranda in Appendices C, D, and E. The other issues are internal and the overwhelming majority were resolved administratively as they arose, as stated by the Auditor General on page 7 of the report.

The first issue and conclusion deals with a change in departmental organization, deputy director appointments, and temporary financing of a Deputy Director, Parole Services position. The chronology of events concerning the departmental reorganization and appointment of deputy directors is described in detail in the audit report. To summarize, late in December 1976, my plan to divide the Parole and Institutions Branch into two branches of Parole Services Branch and Institutions and Camps Branch was approved by the Agency Secretary and I felt at the time that it would be a relatively short period until formal approval of the reorganization and the deputy director appointments occurred.

The person selected to be Deputy Director, Parole Services Branch was employed as the director of a federally funded project. At the time, it was felt that she could soon be appointed to a state-funded deputy director position. As the formal approvals were repeatedly delayed

Page 2
The Hon. Mike Cullen
March 6, 1978

over a period of several months, it was decided to transfer her to a state-funded position retroactively to January 1, 1977. This decision was made in April, but it was not until June 1977 that it was possible to accomplish this transaction. While it is technically correct to say she was improperly paid from a federal grant for a few months, the department corrected this situation and, in fact, there was no improper use of federal funds at all.

Another conclusion of the report makes reference to possible misclassification of Treatment Team Supervisors. A study of Treatment Team Supervisors and their current duties has been planned for some time. The department is, therefore, in agreement with the auditors' recommendations on this subject. There is a further recommendation that the department determine resources necessary to operate the Ward Grievance and DDMS Programs and be sure staff presently performing these duties are correctly classified. The situation of possible misclassification and added duties arises from the necessity for existing staff to absorb new workload. This sometimes results in either new duties not included in class specifications which should be added to existing classifications or the necessity to establish new classifications. In any event, the recommended action will be taken.

Another issue concerns the assignment of state cars. An evaluation of the necessity to assign vehicles to management staff at institutions is under way. The primary reason for such assignment is immediate availability of high-level staff in case of emergency. Permanent assignment of vehicles to institution management staff will be reviewed from the standpoint of both efficiency and ability to respond to emergencies.

A departmental task force has been established to develop standard policies and a uniform accounting system for canteen operations and ward benefit funds as suggested by the auditors.

For construction and renovation projects, the lines of authority are well established. The program policy decisions are the responsibility of the Institutions and Camps Branch. At the local institution level, many technical decisions having local impact are made by the business manager. Major technical issues and financing decisions are made by the Management Services Branch. There are situations where these areas of responsibility overlap and efficiency depends on cooperation between the branches. The management of both branches is aware of the possibility of poor communication and coordination problems and that continuing awareness is necessary to accomplish a high degree of mutually beneficial effort.

I agree with the auditors' conclusion that Los Angeles County was under-billed \$34,209 and steps are being taken to collect this amount.

Page 3
The Hon. Mike Cullen
March 6, 1978

At any time, either before or after this department renders its response in detail to the audit, the Executive Team of the Youth Authority will be happy to meet with you or members of the Legislative Audit Committee for discussions on any part of this report or the department's functions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pearl S. West". The signature is written in dark ink and is positioned above the printed name.

Pearl S. West, Director

CHRONOLOGY OF EVENTS
REGARDING INSTALLATION OF PERSONAL ALARM SYSTEM
AT YOUTH TRAINING SCHOOL

From examination of records and memos both at CYA's Central Office and at YTS, we have determined the following chronology of installation of the personal alarm systems at YTS:

- 1/75 FM prototype installed
- 6/75 YTS decided to install Unisec rather than FM in trade corridor; and to install FM in the gymnasium, auditorium, administration, commissary and maintenance areas in addition to the living units
- 6/75 Initial purchase orders issued for FM and Unisec hardware for use at southern institutions
- 10/75 FM and Unisec hardware ordered 6/75 arrived at YTS for use at southern institutions
- 10/75 YTS requisitioned Unisec cable, conduit and supplies
- 10/75 Central Office allocated 704 man-hours from grant funds to assist Unisec installation
- 12/75 YTS requisitioned \$14,000 of FM supplies
- 12/75 Central Office returned FM requisition
- 2/76 YTS ordered FM supplies from its SR&M fund
- 3/76 FM supplies have arrived
- 3/76 October orders for Unisec supplies have arrived
- 4/76 Installation of Unisec began with assistance of two grant-funded employees

9/13/76	Final hook-up of Unisec started
9/21/76	Mass escape at YTS from living units
10/6/76	Unisec completed and tested
10/7/76	FM installation in living units started
12/1/76	FM in living units completed per YTS.

EXAMPLES OF EMPLOYEE CLASSIFICATIONS
CURRENTLY RESPONSIBLE FOR WARD RIGHTS PROGRAM DUTIES

<u>Classifications and Salaries of Disciplinary Decision-Making Employees</u>						
<u>Institution</u>	<u>Factfinder</u>	<u>Salary Range</u>	<u>Investigator</u>	<u>Salary Range</u>	<u>Grievance Coordinator</u>	<u>Salary Range</u>
1. Northern Reception Center-Clinic	Head Group Supervisor	\$1668-2012	Parole Agent I	\$1485-1790	Head Group Supervisor	\$1668-2012
2. Southern Reception Center-Clinic	SR Psychologist Parole Agent III Sup. of Academic Instruction	\$1919-2317 \$1790-2160 \$1748-2109	Youth Counselor	\$1263-1519	Youth Counselor	\$1263-1519
3. DeWitt Nelson	Treatment Team Supervisor	\$1668-2012	Parole Agent I	\$1485-1790	Supervisor of Special Treat.	\$1748-2109
4. Preston School of Industry	Parole Agent I	\$1485-1790	Senior Youth Counselor	\$1385-1668	Treatment Team Supervisor	\$1668-2012

Memorandum

To : Rick Mahan, Associate Auditor
Office of Auditor General
925 "L" Street, Suite 750
Sacramento, CA 95814

Date: January 23, 1978

Subject: Questions re Audit

From : Pearl S. West, Director

In response to your request, following is a summary statement of the events surrounding the reorganization of the Youth Authority's top management team and the appointments thereto.

Immediately following my appointment as Director of the Department of the Youth Authority and Chairman of the Youth Authority Board by Governor Brown on October 5, 1976, I assured staff of the Department that high level personnel changes in management would be forthcoming as rapidly as possible. The beginning of a new administration in any large bureaucratic setting is fraught with uncertainty until decisions regarding top management have been made. It was my intention that this period of suspense be as brief as possible. Upon the advice of my predecessor and staff concerning proper procedure, informal conversations regarding these imminent changes were begun among appropriate staff in this Department and with staff of departmental control agencies.

Based upon my own working knowledge as a Board member, feedback from departmental staff, study of personnel records, and personal interviews in mid-December, I selected six managers to fill the top management positions of the Youth Authority. I limited the search to intradepartmental resources because that seemed appropriate in view of the fact that I came from "outside."

My conviction of the need for a strong and vigorous parole experience for Youth Authority wards was demonstrated by dividing the former Parole and Institutions Branch into two separate operating branches; the Institutions and Camps Branch and the Parole Services Branch. The profile of the Youth Authority was thus changed to reflect three program branches and two support branches. The Deputy Directors of these branches, along with the Chief Deputy Director and the Director composed the highest level of management in the Department.

It is extraordinarily significant that the presence of two females and one Black in the selected group represents the first time in the history of the Youth Authority that affirmative action beliefs have been expressed through positive action at this highest level of departmental management.

On December 22, 1976, I notified the Secretary of the Health and Welfare Agency in writing of the new management appointments and reorganization. In a meeting with the Secretary on the following morning, he expressed verbally to me his concern about the absence of a Spanish-surnamed person in this management group but gave permission for the formal announcement to departmental staff to be made so long as such announcement were marked "subject to approval of control agencies." This was accomplished on December 23.

The Governor's Office was notified in writing of the reorganization on December 22, and notification letters dated December 24 to the Department of Finance and the State Personnel Board were delivered to the Health and Welfare Agency for forwarding to those agencies. The new management group assumed its functions on January 1, 1977.

Shortly after December 24, 1976, many conversations, meetings, telephone calls, and written communications ensued regarding the withholding of approval by the Secretary of the Health and Welfare Agency of the CEA appointments and reorganization of the Department of the Youth Authority. The State Personnel Board was requested by the Health and Welfare Agency not to process CEA appointments made by the appointing authority of a department, which in this case is the Director of the Youth Authority as per Welfare and Institutions Code Section 1710.5.

From January 1, 1977, until approval of the reorganization and CEA appointments eight months later, the following ensued:

1. The Department continued to operate as announced in December. The following CEA adjustments were indicated by the appointment of the new management team--one manager at a CEA IV level went to a CEA III, one remained a CEA III, two CEA IIIs went to CEA IVs, and two became CEA IIIs for the first time. The Health and Welfare Agency did not permit reclassification or appointment to the appropriate classes to be effective until July 1, 1977 (the actual approval occurred August 11 and was retroactive to July 1). As a result of this delay, four assumed responsibilities and workload at a higher level than that for which they were paid. Additionally, payment of these managers presented internal funding and accounting difficulties.
2. The new management team was acknowledged by the Health and Welfare Agency Secretary. In fact, on one occasion he attended a staff meeting of the group to observe its functioning. The division of the Parole and Institutions Branch into the Institutions and Camps Branch and the Parole Services Branch was submitted by the Administration to the Legislature during the review of the 1977-78 budget and was thus brought to the attention of the budget committee.
3. The management team began an in-depth examination of the programs and functions of each branch with a view toward changes that would enhance the effective and efficient functioning of the Youth Authority. A consideration in this evaluation was whether or not adding another position to the management team was warranted.

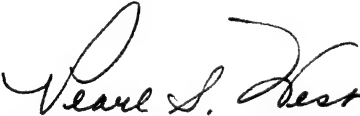
4. Through both formal and informal communications, the constraints under which the Department labored due to the actions of the Health and Welfare Agency Secretary were common knowledge among the Youth Authority's employees and the State's control agencies.

It is significant to note the following:

- There is no written record nor can anyone on the Department's staff recall the Agency Secretary or his staff suggesting that the new members of the management team return to their previous assignments.
- The Secretary told me that as a matter of conscience, he would never approve the CEA appointments so long as a Spanish-surnamed person was not among them.
- The Secretary presently exercises an even deeper level of supervision over personnel changes. Through a memo dated October 22, 1977, appointing authorities in the Health and Welfare Agency were instructed that they could no longer execute personnel movements or appointments above the Staff Services Manager II, or equivalent level, without specific written approval of the Secretary of the Health and Welfare Agency.
- With the exception of the issue of the approval of the reorganization and top management appointments, this Department has enjoyed mutually beneficial and cooperative relations with the Health and Welfare Agency.

Finally, the Secretary approved the Youth Authority's reorganization in late April and the CEA appointments of the top management team were approved on August 11 by signature of Health and Welfare Agency Liaison to the Youth Authority, Manuel Ortiz.

My overwhelming concern during this long, stressful period was to keep the Department of the Youth Authority functioning with as high a degree of normalcy and efficiency as possible.


Pearl S. West, Director

Enclosure

Memorandum

To : Richard C. Mahan
Office of the Auditor General
925 L Street, Suite 750
Sacramento, California 95814

Date: January 25, 1978

Subject: CYA Management Audit

From :

The following is in response to the additional questions you have asked concerning my reasons for operation of the Youth Authority under the organization which was formally announced to control agencies on December 22 and 24, 1976.

1. On December 23, 1976, the Secretary of the Health and Welfare Agency gave me verbal approval for a proposed reorganization and top personnel changes within the Department of the Youth Authority.
2. At no time did I receive an order, either verbally or written, from the Agency Secretary or members of his staff to return to the old organization and to place all of the new Deputy Directors back into their original positions.
3. I believed that the impasse which subsequently developed with the Agency Secretary was temporary in nature and would be resolved within 60 days at the outside.
4. The State Personnel Board and other control agencies were aware of the Department's announced organization and the problems which developed in implementing the change. They knew we had our designated management team functioning effective January 1, 1977, according to the proposed reorganization even though Agency approval had not been resolved. Not one of these control agencies ever, during our many contacts with them, informed us we were acting inappropriately, even when the problems extended beyond the 60-day period of time. I was, in fact, encouraged by the Directors of these control agencies to keep the Department functioning at all costs.
5. The Welfare and Institutions Code specifically delegates to the Director of the Youth Authority the appointing power for all positions within the Department. As the appointing power, I felt this legislated responsibility gave me the authority to operate the Department in a manner providing continuity of organization

in order to fulfill the Department's mission and legislative mandate--protection of the public.

6. I felt the Department's mandate to protect the public called for an improved parole service delivery system. This was accomplished by dividing the former Parole and Institutions Branch into two branches--the Institutions and Camps Branch and the Parole Services Branch.
7. With announcement to the Department on December 23, 1976, of the impending reorganization and management staff changes, staff became aware that these changes would include demotions as well as promotions. In fact, some managers formerly in administrative positions were becoming subordinate to those they formerly supervised. Morale of the Department would have suffered and subordinate/superior relationships would have been seriously disturbed to have returned staff to their previous positions. In fact, to "unannounce" changes of this magnitude would have been an administrative and personnel disaster.

In summary, my decision to operate in accordance with the announced reorganization and the management changes was based on what I believe to be an administrative necessity for a department charged with the protection of the public. I could not in good faith be a party to anything that would dilute the Department's operation. I still had an organization to run that is and was at that time responsible for the daily rehabilitative care of over 4,000 incarcerated young people and supervision of 8,000 persons on parole, not to mention the safety of over 4,000 staff involved in this work. I felt I had to operate in this manner to carry out my duties for the Department to meet its mandate of public protection.

A handwritten signature in dark ink, appearing to read "Pearl S. West", with a stylized flourish at the end.

Pearl S. West, Director

Memorandum

Date : January 16, 1978

To : Richard C. Mahan
Office of the Auditor General
925 "L" Street, Suite 750
Sacramento, CA 95814

Subject: CYA MANAGEMENT AUDIT

From : HEALTH AND WELFARE AGENCY
Office of the Secretary
915 Capitol Mall, Sacramento, 445-6951

The following is in response to your request for information from this office regarding the Reorganization Proposal submitted to this office in December 1976, by the Department of the Youth Authority.

The specific questions you asked us to comment on related to this matter are:

1. Did our office give verbal approval to the proposed reorganization?
2. Why was approval withheld?
3. Did this office order CYA to hire a Chicano for the Executive Team?
4. Memo from CYA indicating their use of illegal funds to pay Ruth Kranovich.

In a memo dated December 24, 1976, we were advised by the Department of the Youth Authority of its proposed new organizational structure to be implemented January 1, 1977, with full understanding that final and formal approval of the proposed reorganization would require the approval of the Secretary, Health and Welfare Agency. In subsequent discussions with Director West, my staff and I expressed our concern that the CYA had been in existence some 30 years and to our knowledge there had never been a Chicano or Chicana in the Executive Team and/or Cabinet. In my view, it was desirable for the new Executive Team to reflect the ethnic, racial and sex composition of the CYA ward population. In response to the department's contention that there were no qualified Hispanics or Americans of Mexican descent within CYA to serve at this level, it was suggested that they should look beyond the department and expand its recruitment process. In addition, I requested information on the selection process utilized as well as information regarding all candidates considered.

Prior to January 1, 1977, Mr. Horace McFall of my staff informed the department that this office was withholding approval of the reorganization. In accordance with that decision, the department was advised not to proceed further with the proposed new organization, and all persons recommended for the Executive Team should remain in their assignment pending final decision in the matter. We have no recollection of ever giving verbal approval to the proposed reorganization or Executive Team appointment.

The decision to withhold approval was based on our disappointment with the department's apparent use of a selection process that did not affirmatively exhaust all available avenues to find a qualified Hispanic or American of Mexican descent to serve as a member of the proposed Executive Team.

As indicated in my memo of January 21, 1977, there was never a mandate given to place a Chicano on the Executive Team without regard to qualifications; rather, the department was asked to exhaust all available avenues to find a qualified Hispanic to serve. As stated in my January 28, 1977 memo, if I were satisfied that no qualified Hispanic was available for service on the Executive Team, approval of the proposed reorganization would be granted.

During a meeting with the department, we reviewed the resumes and personnel files of several Hispanic CYA employees who had been evaluated as either "fast career movement in YA" or "normal YA career development". Some of these employees appeared extremely well qualified and certainly as qualified as those persons selected for the proposed Executive Team. No satisfactory explanation was given to support the department's assumption that adequate consideration was given to all candidates. It was never the position of the Agency that because some Chicano CYA employees appeared as qualified as those persons selected by Director West, one of them should have been appointed to Executive Management simply because they were Chicano. However, we wanted some evidence that these individuals were not qualified to serve at this level. Lacking such information, my position to withhold approval of the proposal was again reiterated. Since we were at an impasse, it was agreed that the department would be given 30 days to review its proposal and consider other alternatives prior to my final decision.

On January 27, the department informed me it had identified as a possible alternative to its proposed reorganization the creation of an additional position with executive responsibilities. Since it was indicated that this proposed alternative could require at least a year and the alternative considered was clouded with uncertainty, I informed the department that approval was still being withheld, but, if I were satisfied within 30 days that no qualified Hispanics were available for service on the Executive Team, I would then approve the proposed reorganization.

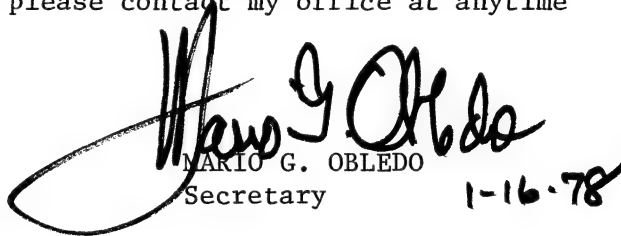
On February 15, the time period was extended to March 28; on March 21, the department was informed that approval was being withheld indefinitely since there was no apparent progress being made by the department in response to the above concerns.

Eventual approval of the reorganization was made upon the recommendation of Mr. Manuel Ortiz of my staff who had liaison responsibilities with CYA. Although the alternative to enlarge the Executive Team and create a new Deputy Director position was being explored by the department prior to Mr. Ortiz assuming this position, it is my understanding that his recommendation was

based on what he considered a good faith effort demonstrated by the department to expand its recruitment effort to find a qualified Hispanic for consideration for its Executive Team.

I do not recall the memo from CYA dated April 8, 1977, where reference is made to the payment for services of a staff person with funds from an unauthorized source. It is my understanding that the department has adjusted the funding of Ms. Kranovich's position to a proper funding source.

I hope we have been of some assistance to you regarding your inquiry. If you need any further help please contact my office at anytime


MARIO G. OBLEDO
Secretary
1-16-78

TRAINING PLAN

APPENDIX F

DATE SUBMITTED:	ORIGINATOR: (Name and Title)
DATE TRAINING TO START:	COORDINATOR:
DATE TRAINING TO END:	ORGANIZATION UNIT(S) TO BE SERVED BY THIS TRAINING:
COURSE OR SUBJECT:	
TYPE OF TRAINING: (Check One)	TYPE OF PLAN: (Check One)
<input type="checkbox"/> IN-SERVICE <input type="checkbox"/> SPECIALIZED <input type="checkbox"/> ESEA	<input type="checkbox"/> ORIGINAL <input type="checkbox"/> REVISED
TRAINER OR SPONSOR:	
NEED OR PROBLEM: (Describe unless a division or Department Requirement)	
OBJECTIVES OF TRAINING:	
DESCRIPTION OF TRAINING AND HOW IT RELATES TO ONGOING PROGRAM:	

PARTICIPANTS: (Number and classification. Names, if specialized training)

COST:	ESTIMATE	
	THIS FISCAL YEAR	NEXT FISCAL YEAR
CONSULTANTS	\$	\$
PER DIEM		
PUBLIC TRANSPORTATION		
PRIVATE CAR MILEAGE		
POST RELIEF		
TUITION OR REGISTRATION		
EQUIPMENT AND MATERIAL		
SPACE RENTAL		
OTHER (Specify)		
TOTAL	\$	\$

FINANCING:

ATTACHMENTS: (If specialized training, attach copy of brochure or announcement)

APPROVALS:

OWEN K. KUNS
RAY H. WHITAKER
CHIEF DEPUTIES

STANLEY M. LOURIMORE
EDWARD F. NOWAK
EDWARD K. PURCELL

KENT L. DECHAMBEAU
HARVEY J. FOSTER
ERNEST H. KUNZI
SHERWIN C. MACKENZIE, JR.
ANN M. MACKEY
TRACY O. POWELL, II
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PRINCIPAL DEPUTIES

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107 SOUTH BROADWAY
LOS ANGELES 90012
(213) 620-2550

Legislative Counsel of California

BION M. GREGORY

Sacramento, California
February 16, 1978

Honorable Mike Cullen
Assembly Chamber

Conflict of Interest - #2274

Dear Mr. Cullen:

FACTS

Since July 1974, the California Youth Authority (hereafter referred to as CYA) has contracted with the Paso Robles Flying Service for charter flights between Paso Robles and Sacramento, Stockton, and Ontario.

CYA originally based its decision to contract for charter air service on its need for convenient accessibility to Paso Robles during the institution's reopening in 1974. Under the contract, Paso Robles provides charter flights between specific locations at set rates. CYA has competitively bid the contract each year, with Paso Robles Flying Service submitting the lowest bids. Between July 1974 and October 1976, two CYA employees owned and leased an aircraft to the flying service. The aircraft was one of two aircraft used by CYA under conditions of the contract. By October 1976, the two employees had divested themselves of their financial interest in the aircraft.

GERALD ROSS ADAMS
DAVID D. ALVES
MARTIN L. ANDERSON
PAUL ANTILLA
JEFFREY D. ARTHUR
CHARLES C. ASBILL
JAMES L. ASHFORD
JERRY L. BASSETT
JOHN CORZINE
BEN E. DALE
CLINTON J. DEWITT
C. DAVID DICKERSON
FRANCES S. DORBIN
ROBERT CULLEN DUFFY
CARL ELDER
LAWRENCE H. FEIN
JOHN FOSSETTE
CLAY FULLER
ALVIN D. GRESS
ROBERT D. GRONKE
JAMES W. HEINZER
THOMAS R. HEUER
EILEEN K. JENKINS
MICHAEL J. KERSTEN
L. DOUGLAS KINNEY
VICTOR KOZIELSKI
JAMES A. MARSALA
DAVID R. MEEKER
PETER F. MELNICOE
ROBERT G. MILLER
JOHN A. MOGER
VERNE L. OLIVER
EUGENE L. PAINE
MARGUERITE ROTH
MARY SHAW
WILLIAM K. STARK
JOHN T. STUDEBAKER
DANIEL A. WEITZMAN
THOMAS D. WHELAN
JIMMIE WING
CHRISTOPHER ZIRKLE
DEPUTIES

During the period of ownership, the two employees held positions at the CYA's Paso Robles Institution. One owner was the superintendent of education, while the other individual was the business manager. While bids were gathered by the Paso Robles Institution, decisions on the contract were made at the CYA's central office, and neither employee was in a position to or did, in fact, influence the award of the contracts. Neither employee would influence how often the flying service was used or which aircraft was chartered.

Under the lease, the owners were paid an hourly rate for each hour the aircraft was flown. The agreement guaranteed a minimum monthly lease-back payment. The owners paid for all gasoline and oil used during the lease period. During the period the CYA employees owned the aircraft, other clients of the flying service also chartered the aircraft. Records are not available which would indicate the degree to which the CYA contract contributed to the employees' income generated under the lease.

QUESTION

Did a conflict of interest exist for the CYA employees involved in the above lease situation during the period between June 1974 and October 1976?

OPINION

No conflict of interest was present for the CYA employees involved in the above situation.

ANALYSIS

The statutory law relating to conflicts of interest is scattered throughout the various codes. The majority of these statutes prohibit public officers and employees from entering into transactions which will conflict with the performance of their official duties (City of Carmel-By-The-Sea v. Young, 2 Cal. 3d 259, 270-271). In the most broadly applicable of these statutes (e.g., Sec. 1090, Gov. C., and Sec. 87100 et seq., Gov. C.), it is necessary that some sort of financial interest be present which the public officer or employee will foreseeably affect by his official actions.

In this regard, Section 1090 of the Government Code* provides as follows:

"1090. Members of the Legislature, state, county, district, judicial district, and city officers or employees shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Nor shall state, county, district, judicial district, and city officers or employees be purchasers at any sale or vendors at any purchase made by them in their official capacity.

"As used in this article, 'district' means any agency of the state formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries."

Section 1090 speaks of contracts which are "made by them [such officers and employees] in their official capacity, or by any board or body of which they are members." However, the cases do not take a narrow or hyper-technical approach as respect the word "made" where it can be shown that an officer or employee had the opportunity to and did influence the execution of the contract to directly or indirectly promote his personal interest (see People v. Vallerger, 66 Cal. App. 3d 910, 931, 932; and People v. Sobel, 40 Cal. App. 3d 1046, 1052).

In this case we have been presented with, there are no facts to indicate that the employees in question influenced the making of the charter contract between the CYA and Paso Robles Flying Service. Lacking this element, even though it was obviously to their financial advantage that such a charter contract be made, there can be no violation of Section 1090.

* All section references, unless otherwise noted, are to the Government Code.


Similarly, under the conflict of interest provisions of the Political Reform Act of 1974 (Sec. 87100 et seq.), a public official must either participate in or attempt to influence a governmental decision affecting his financial interests before a conflict of interest can be found to exist (see Secs. 87100-87103). Again, we have been given no information as to such participation or influence in this situation on which to base a finding of conflict of interest.

Lastly, a state employee is prohibited by Section 19251 from engaging in any employment, activity, or enterprise which is inconsistent, incompatible, or in conflict with his official duties. Under Section 19251 each agency is required to determine for its officers and employees which activities are incompatible with their duties. Such determination is, however, subject to the approval of the State Personnel Board. We have reviewed the CYA's statement of incompatible activities which was in effect during the period which the transactions in question occurred and have found no restriction which per se is applicable to this situation.

In conclusion, we find no conflict of interest involved for the CYA employees during the period in question.

Very truly yours,

Bion M. Gregory
Legislative Counsel

By 
John Corzine
Deputy Legislative Counsel

JC:jw

Office of the Auditor General

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps